



TX - PAID UP

Suzanne Henderson

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NO SURFACE USE PAID UP OIL AND GAS LEASE

THIS LEASE AGREEMENT (this "Lease") is made as of the 16 day of SEPTEMBER, 2008, between the Donald L and ~~Betty~~ Hudgins, whose address is 4926 Westbriar Dr, Fort Worth, TX 76109, as Lessor, and XTO Energy Inc., whose address is 810 Houston Street, Fort Worth, Texas 76102, as Lessee.

1. **Leased Premises.** In consideration of a cash bonus paid upon execution of this Lease, and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the land described on Exhibit "A" attached hereto (the "leased premises") in Tarrant County, Texas (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas. For purposes of this Lease, "oil and gas" means oil, gas and other liquid and gaseous hydrocarbons and their constituent elements produced through a well bore. "Oil" includes all condensate, distillate and other liquid and gaseous hydrocarbons produced through a well bore. "Gas" includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. Expressly excluded from this Lease are lignite, coal, sulfur and other like minerals. The leased premises shall include all strips and gores, streets, easements, highways and alleyways adjacent thereto. Lessor agrees to execute at Lessee's request any additional or supplemental instruments reasonably necessary for a more complete or accurate description of the leased premises. In the event Lessor owns any additional acreage than that for which bonus was originally paid, Lessee shall pay additional bonus at the rate per acre on which bonus was originally paid when this Lease was acquired. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres specified on Exhibit "A" shall be deemed correct, whether actually more or less.

2. **Term.** This Lease is a "paid up" lease requiring no rentals. Subject to the other provisions contained herein, this Lease shall be for a term of three (3) years from the date hereof (the "primary term"), and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith, or this Lease is otherwise maintained in effect pursuant to the provisions hereof.

3. **Royalty.** Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) for oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty five percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; and (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty five percent (25%) of the proceeds realized by Lessee from the sale thereof, computed at the point of sale, less a proportionate part of ad valorem taxes and production, severance or other excise taxes, and less the permitted unaffiliated third party deductions authorized below; provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder. If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this Lease. A well that has been drilled but not fraced shall be deemed capable of producing in paying quantities. If for a period of ninety (90) consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of seventy-five dollars (\$75.00) per acre then covered by this Lease on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided, however, that if this Lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Notwithstanding anything to the contrary herein, it is expressly understood and agreed that after the expiration of the primary term, Lessee shall not have the right to continue this Lease in force by payment of shut-in royalty for more than a single period of up to two (2) consecutive years.

Royalties on oil, gas and other substances produced and saved hereunder which are processed in a processing plant in which Lessee, or an affiliate of Lessee, has a direct or indirect interest, shall be calculated based upon the higher of the proceeds received or the market value of the products so processed. Similarly, on oil, gas and other substances produced and saved hereunder which are sold to Lessee, or an affiliate of Lessee, royalties shall be paid based upon the higher of the market value of the products so sold and the proceeds received by Lessee for said products. Notwithstanding anything to the contrary herein, except for nonaffiliated third-party charges incurred or paid by Lessee to transport, gather, compress, stabilize, process or treat gas produced from the leased premises, or lands pooled therewith (including fuel charges), in no event shall any of Lessor's royalty bear any part of the costs of production or any post-production costs, including costs of lifting, gathering, dehydration, compression, separation, delivery, transportation, manufacture, processing, treating or marketing, or for construction, operation or depreciation of any plant or other facility or equipment for processing or treating oil or gas produced from the leased premises or lands pooled therewith. In no event shall Lessor receive a price greater than or less than Lessee in sales to nonaffiliates.

As used herein, "affiliate" means (i) a corporation, joint venture, partnership or other entity that owns more than ten percent (10%) of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent (10%) of the

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8. Assignment. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns; provided, however, if Lessee assigns any part of this Lease, the Assignee shall give written notice to Lessor within thirty (30) days after the assignment is recorded in the county records. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until thirty (30) days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the reasonable satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. Except as otherwise stated herein, if Lessee transfers its interest hereunder in whole or in part, Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this Lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this Lease then held by each.

9. Release and Vertical Pugh Clause. Lessee may, at any time and from time to time, deliver to Lessor in recordable form or file of record a written release of this Lease as to a full or undivided interest in all or any portion of the area covered by this Lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder. In any event, upon termination of this Lease, Lessee, its successors or assigns, shall deliver to Lessor a recordable release as to such portion or portions of this Lease which have terminated under the terms of this Lease. Upon the expiration of the primary term of this Lease, upon the expiration of any extension or renewal of the primary term, or after cessation of operations as provided herein, whichever occurs last, this Lease shall terminate as to all rights lying below one hundred feet (100') below either (1) the deepest depth drilled in any well drilled on the leased premises or on lands pooled therewith or (2) the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the leased premises or on lands pooled therewith, whichever is the deepest; provided, however, if Lessee is then engaged in operations on the leased premises or on lands pooled therewith, this Lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between operations.

10. Waiver of Surface Use. Notwithstanding anything to the contrary in this Lease, Lessee shall not enter upon the surface of, cross over, place any structure or building upon or conduct any operations (excluding geophysical/seismic operations) on the leased premises or within six hundred feet (600') of the leased premises. Lessee shall only develop the leased premises by pooling, as provided herein, or by directional or horizontal drilling commenced from a surface location on other lands. Lessee shall make all reasonable efforts not to use residential or neighborhood streets or thoroughfares in developing the leased premises, any lands pooled therewith or otherwise.

11. Noise. Noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact Lessee's operations are being conducted in or near an urban residential area. If Lessee utilizes any non-electric-powered equipment in its operations, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression muffler or like equipment.

12. Regulatory Requirements and Force Majeure. Lessee's obligations under this Lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including environmental regulations, setback requirements, restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. To the extent any such laws, rules, regulations or orders are less restrictive than the terms of this Lease, this Lease shall control. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this Lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this Lease when drilling, production or other operations are so prevented, delayed or interrupted. In order for Lessee to claim the benefit of this paragraph, Lessee must use reasonable efforts to notify Lessor, or the current NA/HOA leadership of the force majeure condition, setting forth in reasonable detail the facts associated with Lessee's claim. Lessee agrees to make every reasonable attempt to cure any force majeure event.

13. Indemnity. Lessee hereby releases and discharges Lessor and the owner of the surface estate, along with their officers, employees, partners, agents, contractors, subcontractors, guests and invitees, and their respective heirs, successors and assigns (collectively the "Lessor Parties"), of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees and agents arising out of, incidental to or resulting from, the operations of or for Lessee on or under the leased premises or at the drill site or operations site or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Lease, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the Lessor Parties against any and all claims, liabilities, losses, damages, actions, property damage, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, statute or strict liability, including attorney fees and other legal expenses, including those related to environmental hazards on or under the leased premises or at the drill site or operations site or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities in, on or under the leased premises or at the drill site or operations site; those arising from Lessee's use of

the surface or subsurface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Lease or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees and their respective successors and assigns. Each assignee of this Lease, or of an interest herein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the Lessor Parties in the same manner provided above in connection with the activities of Lessee, its officers, employees and agents as described above. EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS LEASE SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE OR PASSIVE.

14. Notices. All notices required or contemplated by this Lease shall be directed to the party being notified at the address identified above, unless notice of another address has been provided in writing. All such notices shall be made by registered or certified mail, return receipt requested, unless another means of delivery is expressly stated.

15. No Warranty of Title. Lessor makes no warranty of any kind with respect to title to the surface or mineral estate in the leased premises or any portion of or interest therein. All warranties that might arise by common law or by statute, including but not limited to Section 5.023 of the Texas Property Code (or its successor) are excluded. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises. Lessee assumes all risk of title failures.

16. Top Leasing Permitted. There shall be no prohibition or limitation on top leasing.

17. Venue and Legal Fees. Venue for any dispute arising under this Lease shall lie in Tarrant County, Texas, where all obligations under this Lease are performable.

18. Off-Site Drillsite. As a result of land development in the vicinity of the lease premises, governmental rules or ordinances regarding well sites, and/or surface restrictions as may be set forth in this lease and/or other leases in the vicinity, surface locations for well sites in the vicinity may be limited and Lessee may encounter difficulty securing surface location(s) for drilling, reworking or other operations. Therefore, since drilling, reworking or other operations are either restricted or not allowed on the lease premises or other leases in the vicinity, it is agreed that any such operations conducted at a surface location off of the lease premises or off of lands with which the lease premises are pooled in accordance with this lease, provided that such operations are associated with a directional well for the purpose of drilling, reworking, producing or other operations under the lease premises or lands pooled therewith, shall for purposes of this lease be deemed operations conducted on the lease premises. Nothing contained in this paragraph is intended to modify any surface restrictions or pooling provisions or restrictions contained in this lease, except as expressly stated.

19. Option to Extend. Lessee is hereby given the option, to be exercised prior to the date on which this lease or any portion thereof would expire in accordance with its terms and provisions of extending this lease for a period of two (2) years as to all or any portion of the acreage then held hereunder which would expire unless so extended. The only action required by Lessee to exercise such option being the payment to Lessor (or for Lessor's credit at the depository bank named herein) and/or such parties entitled under any change of ownership according to Lessee's records, an additional consideration of the sum of Twenty Thousand Dollars (\$20,000.00) per net mineral acre owned by the party entitled to such payment at such time of extension, in the acreage so extended. If this lease is extended as to only a portion of the acreage then covered hereby, Lessee shall designate such portion by a recordable instrument.

20. Volunteer Organization Liability Protection.

(a) Release and Discharge. In consideration of their time and efforts, Lessor does hereby release and forever discharge the Overton Woods Homeowners Association (OWHA) and any of its officers, directors, an Gas Lease Committee Members, all of whom are unpaid volunteers (collectively, the "OWHA Volunteers") of and from any and all claims, demands, obligations, losses, causes of action, expenses, attorney's fees, and liabilities of any nature whatsoever, whether based on contract, tort, statutory or other legal or equitable theory of recovery, whether known or unknown, past or present, or future which Lessor has, has had, or claims to have against the OWHA Volunteers which relate to, arise from, or are in any manner connected to (i) the terms of the Lease Agreement and the amount of bonus and royalty paid hereunder (the "Lease Terms"), (ii) the negotiation of the Lease Terms, (iii) the inclusion and/or omission of any terms within the Lease Terms, or (v) any and all representations made prior, during, and subsequent to Lessor's execution of this Lease Agreement.

(b) Free Will. Be it known that Lessor agrees to sign this Lease Agreement on its own free will. Lessor was in no way coerced to sign said Lease by the OWHA or any of the OWHA Volunteers. All proceeds derived from the Lease fully remain the property of the Lessor.

(c) Lessor Acknowledgement. By signing this Lease Agreement, Lessor acknowledges and stipulates that Lessor was not obligated to sign this Lease Agreement and that Lessor had the right to negotiate its own terms with any company prior to signing this Lease Agreement. Additionally, Lessor acknowledges that it is the Lessor's obligation to investigate the Lease Agreement and all terms thereof, and to take such action as necessary to make an informed decision prior to signing this Lease Agreement, and that the decision made by Lessor in signing this Lease Agreement is made after fully researching the matter independent of any other information proved by OWHA or the OWHA Volunteers. It is ultimately the responsibility of Lessor to (a) determine if Lessor wants to negotiate with the Lessee, (b) fully investigate the issues and facts related to signing a Lease Agreement, and (c) determine what terms are acceptable to Lessor to be included in this Lease Agreement.

21. Subordination Agreement Fees / Division Orders. Notwithstanding anything contained herein to the contrary, neither Lessee nor Lessee's assigns shall ever require a subordination, partial release of lien, release of lien, consent or other documentation from any lender of Lessor that has a lien on said land as a condition to Lessor receiving any subsequent royalty payment, unless the wellbore penetrates the leased premises or is located within 330 feet from the leases premises. However, Lessor will cooperate with any reasonable effort of Lessee, at Lessee's sole expense, to obtain same from Lessor's lender on behalf of Lessor. In the event Lessee is unable to obtain a subordination agreement from any lien holder of a lien affecting the

leased premises, Lessee is hereby permitted to discharge any tax, mortgage, or other lien or interest and other charges on the leased premises, and in the even Lessee does so, Lessee will have the option of applying the royalties accruing to Lessor toward payment of same and Lessee shall be subrogated to the rights of the holder thereof. In the even Lessee must exercise its discharging rights herein granted, Lessee shall provide prior written notice to Lessor.

22. Miscellaneous. This Lease is entered into in the State of Texas and shall be construed, interpreted and enforced in accordance with the laws of the State of Texas without reference to choice-of-law rules. Should any of the provisions herein be determined to be invalid by a court of competent jurisdiction, it is agreed that this shall not affect the enforceability of any other provision herein and that the parties shall attempt in good faith to renegotiate that provision so determined to be invalid to effectuate the purpose of and to conform to the law regarding such provision. The section titles appearing in this Lease are for convenience only and shall not by themselves determine the construction of this Lease. This Lease may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Singular and plural terms, as well as terms stated in the masculine, feminine or neuter gender, shall be read to include the other(s) as the context requires to effectuate the full purposes of this Lease.

IN WITNESS WHEREOF, this Lease is executed to be effective as of the date first written above, but upon execution shall be binding on each signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this Lease has been executed by all parties hereinabove named as Lessor.

LESSOR/S:

Donald L. Hudgins

STATE OF TEXAS §
 §
COUNTY OF TARRANT §

This instrument was acknowledged before me on the 16th day of Sept, 2008, by Donald L. ~~and Betty~~ Hudgins.

Jo Black
Notary Public, State of Texas

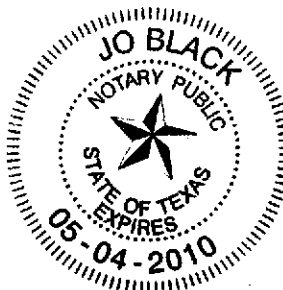


Exhibit "A"

**Block 9R, Lot 12
Overton Woods Addition
City of Fort Worth, Tarrant County, Texas
0.1620 acres, more or less**